



An Exelon Company

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PECO
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August 30, 2013

Ms. Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

**Subject: Tariff Electric - Universal Service Fund Charge – Section 1307 Mechanism
Preliminary Reconciliation for 2013
Docket No. R-2010-2161575**

Dear Ms. Chiavetta:

Enclosed for filing with the Commission is PECO's preliminary reconciliation of the Electric Universal Service Fund Charge ("USFC") for 2013. This filing is made in accordance with the USFC provisions of Paragraph 33 and 34 of the Joint Petition for Full Settlement (R-00973953) as modified by Paragraph 35 of the PECO-Unicom Merger Settlement (Docket No. A-110550F0147) with the Commission's Order at Docket No's. R-00038535 & C-20031543 and consistent with the settlement in PECO's base rate case at Docket No. R-2010-2161575.

This filing, which includes actual data through July, supports a total USFC credit rate of \$0.0005/kWh. This credit will reduce the Variable Distribution Charge for rates R & RH effective January 1, 2014 through December 31, 2014. For a typical residential customer using 500 kWh per month, the new USFC rate will result in a \$0.90 decrease (or -1.11%) to the monthly bill.

This filing also reflects the final incremental LIURP related expenditures of \$2.5 million in 2013, approved in the Joint Petition of Settlement at Docket No. P-2008-2062739.

This filing includes the following Exhibits:

- Exhibit 1 – Proposed USFC Tariff Sheets indicating the rate for 2014
- Exhibit 2 – USFC Calculation
- Exhibit 3 – Rate R Bill Comparison

Ms. Rosemary Chiavetta, Secretary
August 30, 2013
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Thank you for your assistance in this matter and please direct any questions regarding the above to Richard Schlesinger, Manager, Retail Rates (215) 841-5771.

Sincerely,

Richard G. Webster, Jr. /RAS

Richard G. Webster, Jr.
Vice President
Regulatory Policy & Strategy

w/enclosures

cc: C. Walker-Davis, Esquire, Director - Office of Special Assistants
P. T. Diskin, Director – Bureau of Technical Utility Services
D. P. Hosler, Director – Bureau of Audits
J. E. Simms, Director – Bureau of Investigation and Enforcement
Office of Consumer Advocate
McNees, Wallace & Nurick

EXHIBIT 1

PROVISIONS FOR RECOVERY OF UNIVERSAL SERVICE FUND CHARGE (USFC)

Variable Distribution Service Charge rates for electric service in Residential Rate Schedule R and RH of this Tariff shall include (\$0.0005) per kWh for recovery of Universal Service Fund Cost (USFC), calculated in the manner set forth below pursuant to Section 2804 (8) of the Competition Act. The USFC rate for electric service shall be increased or decreased annually, to reflect changes in the level of Universal Service Fund costs, net of base rate recoveries, in the manner described below:

(D)

COMPUTATION OF USFC.

The USFC per kWh (\$0.0000), shall be computed to the nearest one-hundred cent (0.01¢) in accordance with the formula set forth below:

$$\text{USFC} = \frac{(C+L -E-I)}{(S)}$$

The USFC, so computed, shall be included in distribution rates charged to Customers for service pursuant to the rate schedules identified above. The amount of USFC, per kWh, will vary, if appropriate, based upon annual filings by the Company.

In computing the USFC, per kWh, pursuant to the formula above, the following definitions shall apply:

Reconcilable Customer Assistance Program (CAP) Costs – The difference between discounts provided to CAP customers (CAP revenue shortfalls) recovered through base rates and total CAP discounts, net of a 27% offset factor.

USFC – Universal Service Fund Charge determined to the nearest one-hundredth cent (0.01¢) to be included in the rate for each kWh of Variable Distribution Service Charge calculated under Rate Schedules R and R-H to recover Reconcilable CAP Costs plus certain LIURP related expenditures.

C - Cost in dollars of the Reconcilable CAP Costs for the projected period.

L– Incremental LIURP related expenditures of \$1 Million in 2010, \$1.5 million in 2011, \$2.0 Million in 2012, and \$2.5 Million in 2013 as approved in the Joint Petition of Settlement of Docket No. P-2008-2062739.

E - the net (overcollection) or undercollection of Universal Service Fund Charges. The net overcollection or undercollection shall be determined for the most recent period, beginning with the month following the last month which was included in the previous overcollection or undercollection calculation reflected in rates. Included in the "E" factor will be Reconcilable CAP Costs, and LIURP related expenditures.

Each overcollection or undercollection statement shall also provide for refund or recovery of amounts necessary to adjust for overrecovery or underrecovery of "E" factor amounts under the previous USFC.

I – Interest on any over or under recovery balance. Interest shall be computed monthly at a 6% annual simple interest rate from the month that the overcollection or undercollection occurs to the mid-point of the recovery period.

S - projected kWh of electric service to be billed under Rate R and Rate RH (exclusive of CAP Rider) during the projected period when rates will be in effect.

FILING WITH PENNSYLVANIA PUBLIC UTILITY COMMISSION; AUDIT; RECONCILIATION.

The Company's annual USFC filing and its annual reconciliation statement shall be submitted to the Commission 120 days prior to new rates being effective January 1 of each year, or at such time as the Commission may prescribe. The USFC mechanism is subject to annual audit review by the Bureau of Audits.

(D) Denotes Decrease

EXHIBIT 2

**PECO - Electric
Calculation of USFC Rate Effective January 1, 2014**

	<u>Amount</u>	<u>\$/KWH</u>	
(1) C = Projected Recoverable CAP Costs	\$ (17,217)	(\$0.00000)	p. 2 of 4
(3) E = Experienced & Estimated Net Over/(Under)			
a. Over/(Under)	\$ 6,042,959	\$0.00050	p. 3 of 4
b. Interest	\$ 169,430	\$0.00001	p. 4 of 4
	<u>\$ 6,212,389</u>	<u>\$0.00051</u>	
(4) Net Recoverable (C - E)	\$ (6,229,606)	(\$0.00052)	
(5) S = Projected Rate R, RH Sales for Computation Period	12,067,528,726		
(6) USFC: (4) / (5)	(\$0.0005)		

PECO - 2014 USFC Electric C-Factor Calculation

C-Factor Month	Estimated CAP	Estimated	Estimated	Shortfall	Shortfall	Shortfall
	Discounts (Shortfall)	R/RH Sales (a) (kWh)	R/RH Sales (a) (kWh)	Shortfall Recovered in Base Rates	o/(u) Base Recovery	o/(u) Base Recovery @ 0.73 (b)
	(1)	(2)	(3) = (2) * \$0.0068	(4) = (1) - (3)	(5) = (4) * 0.73	
Jan-14	\$ 6,944,420	1,253,987,324	\$ 8,527,114	\$ (1,582,694)	\$ (1,155,366)	
Feb-14	\$ 6,659,931	1,081,557,585	\$ 7,354,592	\$ (694,661)	\$ (507,102)	
Mar-14	\$ 6,324,054	923,619,442	\$ 6,280,612	\$ 43,442	\$ 31,713	
Apr-14	\$ 6,190,834	793,794,186	\$ 5,397,800	\$ 793,034	\$ 578,914	
May-14	\$ 5,870,316	709,078,231	\$ 4,821,732	\$ 1,048,584	\$ 765,466	
Jun-14	\$ 6,809,703	958,673,485	\$ 6,518,980	\$ 290,723	\$ 212,228	
Jul-14	\$ 7,642,269	1,315,844,349	\$ 8,947,742	\$ (1,305,473)	\$ (952,995)	
Aug-14	\$ 8,007,545	1,378,420,660	\$ 9,373,260	\$ (1,365,715)	\$ (996,972)	
Sep-14	\$ 7,447,614	1,096,413,063	\$ 7,455,609	\$ (7,995)	\$ (5,836)	
Oct-14	\$ 6,610,364	799,657,796	\$ 5,437,673	\$ 1,172,691	\$ 856,064	
Nov-14	\$ 6,495,594	775,017,385	\$ 5,270,118	\$ 1,225,476	\$ 894,597	
Dec-14	\$ 7,032,966	981,465,220	\$ 6,673,963	\$ 359,003	\$ 262,072	
	\$ 82,035,610	12,067,528,726	\$ 82,059,195	\$ (23,585)	\$ (17,217)	
						Estimated Recovery C-Factor \$ (17,217)

(a) Non-CAP kWh.

(b) Per settlement factor approved at Docket No. R-2010-2161575.

E-Factor Calculation

E-Factor Period	Total CAP Discounts (Shortfall)	Billed R/RH Sales (c) (kWh)	CAP Revenues Recovered In Base Rates (d)	Base Recovery o(u) Actual (4) = (3) - (1)	Base Recovery o(u) Actual (d) (5) = (4) * 0.73	C-Factor Revenue (6) = (2) * \$0.0004	L-Factor Revenue (7) = (2) * \$0.0002	L-Expenditures (8)	L-Factor Recovery o(u) Recovery (9) = (7) - (8)	C & L Factor o(u) Recovery (10) = (5) + (9)	E-Factor Rate (11)	E-Factor Revenue (12) = (2) * (11)	CAP Revenues (E+L+C) Recovery o(u) (13) = (10) + (12)	Cumulative Recovery o(u) (14)
Balance														
Jan-12	\$ 7,200,642	1,172,070,659	\$ 7,970,080	\$ 769,439	\$ 561,690	\$ (468,828)	\$ 234,414	\$ 1,998	\$ 232,416	\$ 325,278	\$ -0.0003	\$ (351,621)	\$ (26,344)	\$ (3,003,473)
Feb-12	\$ 6,703,608	989,237,341	\$ 6,726,814	\$ 23,206	\$ 16,940	\$ (395,695)	\$ 167,179	\$ 167,179	\$ 30,668	\$ (348,086)	\$ -0.0003	\$ (296,771)	\$ (644,857)	\$ (3,674,674)
Mar-12	\$ 6,373,843	845,507,563	\$ 5,749,451	\$ (624,391)	\$ (455,806)	\$ (338,203)	\$ 169,102	\$ 89,347	\$ 79,754	\$ (714,255)	\$ -0.0003	\$ (253,652)	\$ (967,907)	\$ (4,642,581)
Apr-12	\$ 6,103,160	7,16,336,218	\$ 4,871,086	\$ (1,232,074)	\$ (899,414)	\$ (286,534)	\$ 143,267	\$ 261,665	\$ (118,418)	\$ (1,304,367)	\$ -0.0003	\$ (214,903)	\$ (1,519,267)	\$ (6,161,848)
May-12	\$ 6,082,044	702,515,491	\$ 4,777,105	\$ (1,304,939)	\$ (952,605)	\$ (281,006)	\$ 140,503	\$ 52,746	\$ 87,758	\$ (1,145,854)	\$ -0.0003	\$ (210,755)	\$ (1,356,609)	\$ (7,518,457)
Jun-12	\$ 7,061,242	925,109,789	\$ 6,290,746	\$ (770,496)	\$ (562,462)	\$ (370,044)	\$ 185,022	\$ 73,927	\$ 111,095	\$ (1,145,854)	\$ -0.0003	\$ (277,533)	\$ (1,098,944)	\$ (8,617,401)
Jul-12	\$ 7,315,023	1,331,046,127	\$ 9,051,114	\$ 1,736,090	\$ 1,237,346	\$ (532,418)	\$ 266,209	\$ 116,635	\$ 149,574	\$ 884,502	\$ -0.0003	\$ (399,314)	\$ (485,168)	\$ (9,132,213)
Aug-12	\$ 7,348,279	1,349,179,614	\$ 9,174,421	\$ 1,826,143	\$ 1,333,084	\$ (539,672)	\$ 269,836	\$ 326,953	\$ (57,117)	\$ 736,295	\$ -0.0003	\$ (404,754)	\$ 331,541	\$ (7,800,671)
Sep-12	\$ 6,959,751	1,144,226,579	\$ 7,760,741	\$ 820,990	\$ 599,323	\$ (457,691)	\$ 228,845	\$ 204,997	\$ 23,848	\$ 165,480	\$ -0.0003	\$ (343,268)	\$ (177,788)	\$ (7,978,460)
Oct-12	\$ 6,195,572	778,541,611	\$ 5,294,083	\$ (901,489)	\$ (658,087)	\$ (311,417)	\$ 155,708	\$ 347,263	\$ (191,555)	\$ (1,161,059)	\$ -0.0003	\$ (233,562)	\$ (1,394,621)	\$ (9,373,081)
Nov-12	\$ 6,156,007	778,734,145	\$ 5,295,392	\$ (860,815)	\$ (628,249)	\$ (311,494)	\$ 155,747	\$ 357,268	\$ (201,522)	\$ (1,141,265)	\$ -0.0003	\$ (233,620)	\$ (1,374,885)	\$ (10,747,966)
Dec-12	\$ 6,886,571	1,008,085,023	\$ 6,841,378	\$ 154,807	\$ 113,009	\$ (402,434)	\$ 201,217	\$ -	\$ 201,217	\$ (88,208)	\$ -0.0003	\$ (301,825)	\$ (390,034)	\$ (11,137,999)
	\$ 80,186,743	11,736,890,140	\$ 79,822,413	\$ (363,330)	\$ (266,231)	\$ (4,696,436)	\$ 2,347,718	\$ 2,000,000	\$ 347,718	\$ (4,612,949)	\$ -	\$ (3,621,677)	\$ (8,134,526)	

E-Factor Period	Total CAP Discounts (Shortfall)	Billed R/RH Sales (c) (kWh)	CAP Revenues Recovered In Base Rates (d)	Base Recovery o(u) Actual (4) = (3) - (1)	Base Recovery o(u) Actual (d) (5) = (4) * 0.73	C-Factor Revenue (6) = (2) * \$0.0002	L-Factor Revenue (7) = (2) * \$0.0002	L-Expenditures (8)	L-Factor Recovery o(u) Recovery (9) = (7) - (8)	C & L Factor o(u) Recovery (10) = (5) + (9)	E-Factor Rate (11)	E-Factor Revenue (12) = (2) * (11)	CAP Revenues (E+L+C) Recovery o(u) (13) = (10) + (12)	Cumulative Recovery o(u) (14)
Jan-13	\$ 6,767,592	1,231,353,122	\$ 8,373,201	\$ 1,605,610	\$ 1,172,095	\$ 246,271	\$ 246,271	\$ -	\$ 246,271	\$ 1,664,636	\$ 0.0009	\$ 1,108,218	\$ 2,772,854	\$ (8,365,145)
Feb-13	\$ 6,442,550	1,128,723,617	\$ 7,675,321	\$ 1,232,771	\$ 899,923	\$ 225,745	\$ 225,745	\$ 30,316	\$ 195,429	\$ 1,321,097	\$ 0.0009	\$ 1,015,851	\$ 2,336,948	\$ (6,028,197)
Mar-13	\$ 6,191,491	1,011,369,469	\$ 6,877,448	\$ 695,958	\$ 500,749	\$ 202,278	\$ 202,278	\$ 246,472	\$ (44,194)	\$ 658,833	\$ 0.0009	\$ 910,251	\$ 1,569,083	\$ (4,459,114)
Apr-13	\$ 6,217,947	853,414,755	\$ 5,803,220	\$ (414,726)	\$ (302,750)	\$ 170,683	\$ 170,683	\$ 325,178	\$ (154,495)	\$ (286,563)	\$ 0.0009	\$ 768,073	\$ 481,511	\$ (3,977,603)
May-13	\$ 5,569,213	708,962,493	\$ 4,820,945	\$ (748,268)	\$ (546,236)	\$ 141,792	\$ 141,792	\$ 433,978	\$ (292,186)	\$ (696,629)	\$ 0.0009	\$ 638,066	\$ (58,563)	\$ (4,036,167)
Jun-13	\$ 6,178,311	930,841,015	\$ 6,329,719	\$ 151,408	\$ 110,528	\$ 186,168	\$ 186,168	\$ 127,750	\$ 58,419	\$ 355,114	\$ 0.0009	\$ 837,757	\$ 1,192,871	\$ (2,843,295)
Jul-13	\$ 7,170,243	1,328,522,223	\$ 9,033,951	\$ 1,863,708	\$ 1,360,507	\$ 265,704	\$ 265,704	\$ 74,674	\$ 191,030	\$ 1,817,241	\$ 0.0009	\$ 1,195,670	\$ 3,012,911	\$ 169,616
Aug-12 (e)	\$ 7,250,000	1,347,986,716	\$ 9,160,271	\$ 1,910,271	\$ 1,394,498	\$ 289,420	\$ 289,420	\$ 155,880	\$ 113,540	\$ 1,777,458	\$ 0.0009	\$ 1,212,389	\$ 2,989,847	\$ 3,159,463
Sept-12 (e)	\$ 6,950,000	993,231,221	\$ 6,695,972	\$ (164,028)	\$ (119,740)	\$ 196,646	\$ 196,646	\$ 301,013	\$ (104,367)	\$ (27,461)	\$ 0.0009	\$ 884,908	\$ 857,447	\$ 4,018,911
Oct-13 (b)	\$ 6,100,000	800,500,000	\$ 5,443,400	\$ (656,600)	\$ (479,318)	\$ 160,100	\$ 160,100	\$ 300,681	\$ (140,581)	\$ (459,799)	\$ 0.0009	\$ 720,450	\$ 260,651	\$ 4,277,562
Nov-13 (b)	\$ 6,000,000	804,000,000	\$ 5,467,200	\$ (532,800)	\$ (388,944)	\$ 160,800	\$ 160,800	\$ 275,529	\$ (114,739)	\$ (342,873)	\$ 0.0009	\$ 723,600	\$ 380,727	\$ 4,658,289
Dec-13 (b)	\$ 6,800,000	1,050,000,000	\$ 7,140,000	\$ 340,000	\$ 248,200	\$ 210,000	\$ 210,000	\$ 229,530	\$ (18,530)	\$ 439,670	\$ 0.0009	\$ 945,000	\$ 1,384,570	\$ 6,042,959
	\$ 77,637,346	12,170,038,631	\$ 82,810,649	\$ 5,273,303	\$ 3,849,611	\$ 2,436,607	\$ 2,436,607	\$ 2,600,000	\$ (64,393)	\$ 6,220,726	\$ -	\$ 10,960,233	\$ 17,180,969	

Total Recovery E-Factor \$ 6,042,959

a) Actuals to be reflected in final October reconciliation.

b) Estimated.

c) Residential Non-CAP Sales.

d) Per settlement factor approved at Docket No. R-2010-2161575.

**PECO - 2013
USFC Electric
Interest Calculation**

E-Factor Period	R/RH Sales (c) (kWh) (1)	C & L Factor O(U) Recovery (2)	Interest Rate (3)	Interest Time Factor (4)	Interest Owed/ (Interest to be Recouped) (5) = (2) * (3) * (4)	Interest Refund Rate (6)	Interest Collection/(Refund) (7) = (1) * (6)	Total Interest (8) = 5 + 7	Cumulative Interest Interest Owed/ (Interest to be Recouped) (9) = (8) + Prev (9)
Balance (a)									\$ 3,409
Jan-12	1,172,070,659	\$ 325,278	6%	18/12	\$ 29,275	\$ 0.0000	\$ -	\$ 29,275	\$ 32,684
Feb-12	989,237,341	\$(348,086)	6%	17/12	\$(29,587)	\$ 0.0000	\$ -	\$(29,587)	\$ 3,097
Mar-12	845,507,563	\$(714,255)	6%	16/12	\$(57,140)	\$ 0.0000	\$ -	\$(57,140)	\$(54,044)
Apr-12	716,336,218	\$(1,304,367)	6%	15/12	\$(97,827)	\$ 0.0000	\$ -	\$(97,827)	\$(151,871)
May-12	702,515,491	\$(1,145,854)	6%	14/12	\$(80,210)	\$ 0.0000	\$ -	\$(80,210)	\$(232,081)
Jun-12	925,109,769	\$(821,411)	6%	13/12	\$(53,392)	\$ 0.0000	\$ -	\$(53,392)	\$(285,473)
Jul-12	1,331,046,127	884,502	6%	12/12	\$ 53,070	\$ 0.0000	\$ -	\$ 53,070	\$(232,403)
Aug-12	1,349,179,614	736,295	6%	11/12	\$ 40,496	\$ 0.0000	\$ -	\$ 40,496	\$(191,906)
Sep-12	1,144,226,579	165,480	6%	10/12	\$ 8,274	\$ 0.0000	\$ -	\$ 8,274	\$(183,632)
Oct-12	778,541,611	\$(1,161,059)	6%	9/12	\$(52,248)	\$ 0.0000	\$ -	\$(52,248)	\$(235,880)
Nov-12	778,734,145	\$(1,141,265)	6%	8/12	\$(45,651)	\$ 0.0000	\$ -	\$(45,651)	\$(281,531)
Dec-12	1,006,085,023	\$(88,208)	6%	7/12	\$(3,087)	\$ 0.0000	\$ -	\$(3,087)	\$(284,618)
	11,738,690,140	\$(4,612,949)			\$(288,027)			\$(288,027)	
Jan-13	1,231,353,122	1,664,636	6%	18/12	\$ 149,817	\$ 0.0000	\$ -	\$ 149,817	\$(134,801)
Feb-13	1,128,723,617	1,321,097	6%	17/12	\$ 112,293	\$ 0.0000	\$ -	\$ 112,293	\$(22,507)
Mar-13	1,011,389,469	658,833	6%	16/12	\$ 52,707	\$ 0.0000	\$ -	\$ 52,707	\$ 30,199
Apr-13	853,414,755	\$(286,563)	6%	15/12	\$(21,492)	\$ 0.0000	\$ -	\$(21,492)	\$ 8,707
May-13	708,962,493	\$(696,629)	6%	14/12	\$(48,764)	\$ 0.0000	\$ -	\$(48,764)	\$(40,057)
Jun-13	930,841,015	355,114	6%	13/12	\$ 23,082	\$ 0.0000	\$ -	\$ 23,082	\$(16,975)
Jul-13	1,328,522,223	1,817,241	6%	12/12	\$ 109,034	\$ 0.0000	\$ -	\$ 109,034	\$ 92,060
Aug-13 (a)	1,347,098,716	1,777,458	6%	11/12	\$ 97,760	\$ 0.0000	\$ -	\$ 97,760	\$ 189,820
Sept-13 (a)	983,231,221	\$(27,461)	6%	10/12	\$(1,373)	\$ 0.0000	\$ -	\$(1,373)	\$ 188,447
Oct-13 (b)	800,500,000	\$(459,799)	6%	9/12	\$(20,691)	\$ 0.0000	\$ -	\$(20,691)	\$ 167,756
Nov-13 (b)	804,000,000	\$(342,873)	6%	8/12	\$(13,715)	\$ 0.0000	\$ -	\$(13,715)	\$ 154,041
Dec-13 (b)	1,050,000,000	439,670	6%	7/12	\$ 15,388	\$ 0.0000	\$ -	\$ 15,388	\$ 169,430
	12,178,036,631	\$ 6,220,726			\$ 454,048			\$ 454,048	
								Net Interest \$	169,430

(a) Actuals to be reflected in final October reconciliation.
(b) Estimated.
(c) Residential Non-CAP Sales.

EXHIBIT 3

PECO
BILL COMPARISON with USFC at
(\$0.0005) kWh

Residential Rate R - 500 KWH (a)

	2013 w/ Current \$0.0013 kWh USFC Charge	2014 w/ Proposed (b) (\$0.0005) kWh USFC Credit	Difference (\$)	Difference (%)
FIXED DISTRIBUTION CHARGE	7.09	7.09		
TRANSMISSION CHARGE				
ALL KWH	3.75	3.75		
DISTRIBUTION CHARGE				
ALL KWH	30.50	29.60		
AEPS				
ALL KWH	-	-		
GSA				
ALL KWH	39.30	39.30		
SUB TOTAL	80.64	79.74		
STATE TAX ADJUSTMENT CLAUSE -0.21%	(0.08)	(0.08)		
TOTAL	80.56	79.66	\$(0.90)	-1.11%

(a) Based on PECO Electric Tariff Rates as of 8/1/13.

(b) Calculation is for demonstration purposes only.